

USAID/Malawi

Annual Report

FY 2005

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Please Note:

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Malawi

Performance:

Country Setting: Malawi's infant and under-five mortality rates (104 and 189 respectively) have both decreased on an average of 2% to 3% for the last decade, but chronic malnutrition remains at about 49% and maternal mortality rates (1,120 per 100,000 births) remain unacceptably high. HIV/AIDS prevalence among adults is static at 15%, and overall life expectancy at birth is now down to under 40 years, due largely to the impact of AIDS. Malawi's per capita gross domestic product (GDP) in 2004 is estimated at about US\$170. External debt -- primarily multilateral and concessional (88%) -- was \$2.8 billion at the end of 2003, representing 166% of GDP, with about one-fifth of domestic revenues required for external debt servicing. Malawi has had Enhanced Highly Indebted Poor Countries (HIPC) status since December 2000, and has received interim debt relief of \$30-60 million per year. Although external debt is still substantial, Malawi is on track to reach its HIPC completion point. Malawi is not indebted to the United States.

In May 2004, the Malawi Electoral Commission presided over violence-free multiparty elections that resulted in a new President, Dr. Bingu Wa Mutharika, and new Parliament (70% new members, and 13.5% women). President Mutharika had served as the Minister of Economic Planning and Development in the prior administration. As such he provided strong leadership during the development of the FY 2003 Malawi Economic Growth Strategy, which was facilitated by USAID and other donors. In his inaugural address, the new President drew liberally from the Economic Growth Strategy, proposing: public sector reforms to stabilize macroeconomic conditions for growth; private sector reforms to mobilize private businesses as the engine of growth; agricultural sector reforms to make Malawi a "hunger free nation"; and civil service reforms to improve the conditions and professionalism of civil servants.

Since the inauguration, President Mutharika's new administration has initiated actions in each of these priority areas, with particular commitment to economic reform, fiscal restraint, and efficient reinforcement of anti-corruption measures. One of the administration's early actions was to request a 12 month Staff Monitored Program (SMP) from the IMF, with benchmarks including ceilings on discretionary spending, government wages and salaries, and public expenditure and management. Additionally, several high-level members of the former administration have been arrested and put on trial for corruption, including the former Finance Minister and a senior aide to the former President.

Malawi's Poverty Reduction and Growth Facility (PRGF) with the IMF had collapsed over the 2001-2003 period due to fiscal policy slippages and other governance issues. Given the new administration's positive actions of the past six months, the World Bank recently released the first \$25 million of the Fiscal Management and Accelerating Growth Program, Balance of Payment donors followed suit, and in November 2004 an IMF team concluded that Malawi's performance under its SMP was strong and proceeding well. Prospects look good for a new PRGF arrangement in April 2005.

The new administration's actions were also a key factor in Malawi's November 2004 selection as a U.S. Millennium Challenge Account (MCA) Threshold Country. The country's ratings for ruling justly, investing in people, and economic freedom were rated as deficient only in terms of control of corruption and fiscal policy. USAID has begun talks with the Government as to key areas of intervention to be included in the Concept Papers to be prepared.

In comparison to the cautiously optimistic economic outlook, the jury is still out on the state of Malawi's democracy. Malawi's 2004 Freedom House ranking for Political Rights improved (from 4 to 3), based largely on the success of popular opposition to the former President's move in 2003 to amend the constitution to allow him to run for a third term. The 2004 rankings, however, were made prior to the

highly flawed processes leading up to the May 2004 elections: there were widespread claims of irregularities in voter registration and major imbalances between the UDF and opposition parties in terms of media access and coverage. A disappointing 56% of the electorate cast ballots, as compared to almost 94% in 1999, underscoring lack of voter interest and/or confidence in the process. The new administration will need to assure improved oversight to the Malawi Electoral Commission so that the 2006 local government elections are not similarly flawed.

USAID managed to achieve significant results in all sectors throughout this dynamic time. Recognition of the high value Malawi accords US assistance was demonstrated by President Mutharika's personal visit to USAID's 44th Anniversary Fair, the first time a sitting president has attended such an event. The mention of past USAID-financed projects in his inauguration speech (e.g. positive reference to the Girl's Attainment in Basic Literature and Education, or GABLE, project of 1991-2001) and the congruence of key policy interests underscore the opening of a new window of opportunity for strong US-Malawian collaboration and change.

USAID Program: The State Department - USAID joint strategic goals in Malawi are three-fold: to increase economic prosperity and security; to strengthen democracy and human rights; and to address social and environmental issues. USAID's current strategy was at its mid-point in FY 2004, with all partners achieving significant results toward four Strategic Objectives:

- Sustainable Economic Growth (SEG): The SEG SO achieved solid success in FY 2004. The value of agricultural products marketed by farmers associations reached US\$2.6 million, continuing the phenomenal sales growth that has seen sales double every year for the past three years. The gross value of non-tobacco crops sold locally and internationally increased to US\$ 2.2 million. USAID continued to promote growth of the dairy industry in Malawi through 48 dairy associations with over 5,700 members (the majority of which are women), and milk sales grew by 54%. USAID linked the recent growth of cassava production in Malawi to job growth, and at least 2,048 jobs (including 946 women hired) were created in cassava related activities. Due to USAID assistance, fertilizer imports by the private sector have now reached 224,362 MT, and over 1,100 private sector dealers now market over 91% of fertilizer in Malawi.

In FY 2004, the USAID-supported Opportunity International Bank of Malawi (OIBM) opened 15,190 new savings accounts, worth US\$1.49 million, and disbursed over 1,700 loans worth nearly \$500,000. Seventy-eight percent of borrowers were women. Communities continued to realize net benefits from improved natural resource management activities, and the total revenue increased from \$15,774 in FY 2003 to \$55,431 in FY 2004. Finally, USAID and Washington State University are leading a new Global Development Alliance to support community-based management of the Lake Malawi Chia Lagoon Watershed, which provides a livelihood for 55,000 inhabitants.

- Democracy/Governance (DG): USAID's primary DG focus in FY 2004 was Malawi's elections for the President and the Parliament, held on May 20, 2004. USAID provided support to the Malawi Electoral Commission (MEC) for the registration process, and to civil society organizations (CSOs) to conduct voter education, monitor the media, and monitor polling and counting stations on election day. A low turnout of 56.35%, contrasted with 93.76% in 1999, underscored a lack of voter interest and/or confidence in the process. Domestic and international observers reported a highly flawed process leading up to the May 2004 elections: there were widespread claims of irregularities in voter registration and major imbalances between the ruling UDF (United Democratic Front) and opposition parties in terms of media access and coverage. It is doubtful that the problems materially affected the outcome, however, and the U.S. and other countries recognize President Mutharika as being legitimately elected and support the reforms his government is making. His new administration will need to assure improved oversight of the Malawi Electoral Commission so that the 2006 local government elections are not similarly flawed.

In FY 2004, in addition to voting, citizens in USAID target areas increased their engagement in democratic processes to 54.2%, e.g. they reported taking a civic action such as attending public meetings, writing a letter, making visits to any "influential person" (Traditional Authorities, Members of Parliament, District Commissioners, religious leaders), attending a peaceful demonstration, or publication

of materials, as compared to 35.8% in FY 2003 and well above the FY 2004 40% target. This significant achievement reflects the increasing impact of USAID's DG SO, and its work with CSOs and faith-based organizations (FBOs) in increasing citizen participation in government. Through USAID support to a legal aid CSO, in 11 of Malawi's 29 districts 14 paralegals (4 women) and 732 community-based volunteers (30% women) consulted on and helped to resolve 2,469 cases outside of the formal court system, with particular emphasis on labor issues, inheritance, divorce and property settlements, and domestic violence. In FY 2004, Malawi's Parliament rated 68.8 on the Quality of Legislative Committees Index as compared with 52.23 in 2001. (The Index is described in USAID's Democracy Center's Indicator Handbook, and was adapted for Malawi). Much of the increase is attributed to USAID's four-year program of technical assistance and training for the Parliament which concluded at the end of CY 2004.

- Health, Population, Nutrition, and HIV/AIDS: A National Malaria Survey documented a dramatic increase in the percentage of households using bed nets, from 13% in 2000 to 43% in 2004, with a reported 36% of children under five sleeping under the nets. Integration of TB and HIV programs proceeded well, with TB patients offered HIV counseling and testing in all USAID target districts and those found HIV-positive are provided with cotrimoxazole prophylaxis. In terms of HIV/AIDS prevention in the general population, USAID-financed abstinence-based programs reached 80,000 youth in 370 schools; over 1,600 women were counseled on prevention of mother-to-child transmission of HIV, and 49 women and their newborns subsequently received antiretroviral (ARV) prophylaxis; and condom sales to high-risk groups reached almost 8.5 million. USAID-financed HIV/AIDS care enabled about 54,000 persons to be tested for AIDS at USG-assisted sites; 2,000 persons to receive home-based care; and over 20,000 orphans and vulnerable children affected by HIV/AIDS to receive material (e.g. food, shelter, school fees) and psychosocial support. USAID's child survival program remained on target, with subsidized sales of oral rehydration solution reaching almost one million packets and significant increases in quality assurance supervision and support within USAID target districts. The reproductive health program achieved 698,627 couple years of protection (a composite proxy index for family planning) and more consistent supply of contraceptives. Overall, USAID technical assistance facilitated dramatic improvements in Malawi's essential drug supply chain.

- Basic Education: USAID continued to support the development of effective schools that provide more conducive learning environments for children. At the grass roots level, 38% of school committees in the four new USAID target districts initiated activities to mitigate the impact of HIV/AIDS in their communities. At the classroom level, USAID funded training in pedagogical skills, class management, and supervisory skills for over 2,000 untrained primary school teachers. Additionally, third grade boys and girls in USAID target district schools increased their proficiency in English proficiency by 5% in only one year. An additional 32 Malawians graduated at undergraduate and post-graduate levels from U.S. universities, for a total of 62 since the beginning of the program. At the policy level, the Government of Malawi (GOM) approved two national strategies developed with USAID technical assistance: the National HIV/AIDS and Education Strategy and the national Strategy on Teacher Education and Development. The Ministry of Education continued to further develop the Education Management Information System into a real-time useful tool for critical decision making and planning.

Cross-Cutting Activities: A P.L. 480 Title II Development Assistance Program (DAP) undertaken by Catholic Relief Services in two districts provided care and support to about 14,305 orphans and vulnerable children affected by AIDS. In FY 2005, CRS and seven NGO partners (of which CRS and three others are faith-based organizations) are initiating a new DAP called Improving Livelihoods through Increased Food Security (I-LIFE). The I-LIFE Title II program contributes to USAID's SEG, DG, and HPN SOs. It will improve food availability and access by increasing agricultural production and incomes and improving infrastructure through improved agricultural practices, reinforced linkages between production and marketing, and strengthened farmer organizational capacity. On the health side, project activities will promote better nutrition practices, community health awareness campaigns focusing on HIV/AIDS, community and home vegetable gardening, and improved capacity of community health workers to deliver sustainable quality health services within their communities. Lastly, I-LIFE will promote increased community and district level accountability, transparency, and effectiveness of district government structures and national civil society capacity to sustain development activities. Key approaches include promoting coalition building, community organization, and developing workable applications of

decentralization within targeted districts and villages.

For more information, please go to the following web address: www.usaid.gov/mw/

Results Framework

612-001 Increased Agricultural Incomes on a Per Capita Basis

612-002 Increased Sustainable Use, Conservation and Management of Renewable Natural Resources

612-003 Increased Adoption of Measures that Reduce Fertility and Risk of HIV/AIDS Transmission, Including Improved Child Health Practices

612-004 Increased Access to, and Improved Quality and Efficiency of Basic Education, Especially for Girls

612-005 Institutional Base for Democratic Participation Strengthened and Broadened

612-006 Sustainable Increases in Rural Incomes

SO Level Indicator(s):

Total additional household income directly attributable to USAID activities (US\$)

6.1 Agricultural productivity increased.

6.2 Employment in agriculturally linked enterprises increased.

6.3 Increased household revenue from community based natural resource management activities.

6.4 Reduced vulnerability of rural households to food-price shocks.

612-007 Increased Civic Involvement in the Rule of Law

SO Level Indicator(s):

Percentage of Malawians who actively participate in civic life, nationally

Voter turnout in local government elections (%)

Voter turnout in national elections for president and parliament (%)

7.1 Increased Access to Justice

7.2 Increased advocacy in support of the rule of law

7.3 Selected accountability institutions more responsive with citizen participation

7.4 National elections free and fair.

612-008 Increased Use of Improved Health Behaviors and Services

SO Level Indicator(s):

Contraceptive Prevalence Rate

Number of clients seen at USAID-assisted Voluntary Counseling and Testing centers

Percent of children under 5 years sleeping under an Insecticide-Treated Bednet (ITN)

8.1 Behavior change enabled

8.2 Quality of Health Services Improved

8.3 Access to services Increased

8.4 Health Sector Capacity Strengthened

612-009 Improved Quality and Efficiency of Basic Education

SO Level Indicator(s):

Percentage of all Grade 3 pupils achieving full mastery in reading English, 4 "new" target districts

9.1 Teachers' professional skills improved.

9.2 More effective schools.

9.3 Key policy reforms implemented.

9.4 Impact of HIV/AIDS mitigated in education